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Westly: Revenues On Track and Coming Back

Sacramento, CA – State Controller Steve Westly today announced that state revenues for the month of April were \$2.1 billion above budget estimates, thanks largely to the success of an amnesty program targeting abusive tax shelters.

“We’ve climbed out of the revenue quicksand, but we’re not out of the woods,” Westly said. “Balancing the budget will still be hard work for the Governor and the Legislature, but the ground beneath them – California’s economy – is getting stronger.”

April revenues totaled \$10.4 billion, 25.5 percent higher than the \$8.3 billion estimated in the Governor’s January budget proposal. The largest increases came in personal income taxes, which were \$1.2 billion higher than expected, and corporate taxes, which were \$485 million higher than budget estimates.

Westly credited most of the increased revenues to the voluntary compliance initiative, created under legislation by Assembly Majority Leader Dario Frommer, Senator Gil Cedillo and Senate President pro Tem John Burton.

The initiative, which has brought in \$1.325 billion so far, gave taxpayers who used abusive tax shelters a one-time chance to amend their returns before increased penalties took effect. Westly used new enforcement tools and aggressive marketing to implement the initiative in his role as chair of the Franchise Tax Board.

April’s revenue increases brought overall revenues for the current fiscal year ahead of Governor’s budget estimates for the first time this year. Total receipts ended the month at \$62.1 billion, \$1.76 billion (2.9 percent) higher than the \$60.3 billion projected in the budget.

REVENUE REPORT FOLLOWS

General Fund Revenues for the month of April 2004

In thousands

| | April 2004 | | Actual Over or (Under) Estimate | |
|-----------------------------------|------------|---|------------------------------------|--------|
| | Actual | DOF's 2004-05 Governor's Budget Estimates | Amount | % |
| Alcoholic Beverage Excise Tax | 25,640 | 23,000 | 2,640 | 11.5 |
| Corporation Tax | 1,854,421 | 1,369,000 | 485,421 | 35.5 |
| Cigarette Tax | 8,092 | 10,000 | (1,908) | (19.1) |
| Estate, Inheritance, and Gift Tax | 44,533 | 42,000 | 2,533 | 6.0 |
| Insurance Companies Tax | 700,968 | 345,000 | 355,968 | 103.2 |
| Personal Income Tax | 6,959,441 | 5,750,000 | 1,209,441 | 21.0 |
| Retail Sales and Use Taxes | 714,274 | 637,000 | 77,274 | 12.1 |
| Pooled Money Investment Interest | 6,750 | 9,000 | (2,250) | (25.0) |
| Not Otherwise Classified | 94,679 | 111,000 | (16,321) | (14.7) |
| Total Revenues | 10,408,798 | 8,296,000 | 2,112,798 | 25.5 |

General Fund Revenues as of April 2004

In thousands

| | DOF's 2004-05 Governor's Budget | | Actual Over or (Under) Estimate | |
|-----------------------------------|------------------------------------|------------|------------------------------------|--------|
| | Actual | Estimates | Amount | % |
| Alcoholic Beverage Excise Tax | 261,026 | 250,265 | 10,761 | 4.3 |
| Corporation Tax | 6,279,102 | 6,045,320 | 233,782 | 3.9 |
| Cigarette Tax | 94,991 | 95,133 | (142) | (0.1) |
| Estate, Inheritance, and Gift Tax | 485,983 | 475,335 | 10,648 | 2.2 |
| Insurance Companies Tax | 1,686,826 | 1,559,302 | 127,524 | 8.2 |
| Personal Income Tax | 31,381,314 | 30,330,003 | 1,051,311 | 3.5 |
| Retail Sales and Use Taxes | 18,368,334 | 17,848,273 | 520,061 | 2.9 |
| Pooled Money Investment Interest | 88,415 | 114,926 | (26,511) | (23.1) |
| Not Otherwise Classified * | 3,483,922 | 3,645,394 | (161,472) | (4.4) |
| Total Revenues | 62,129,913 | 60,363,951 | 1,765,962 | 2.9 |

* \$2,263,609 Tobacco Securitization Bonds were received in September 2003